

## **VERMONT STATE TEACHERS' RETIREMENT SYSTEM**

Meeting of the Board of Trustees

**November 8, 2011**

### **Members present:**

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2015

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2012 – via telephone

LINDA DELIDUKA, VRTA Alternate representative

THOMAS MCCONNELL, Active Member Representative, term expiring July 1, 2013

JUSTIN NORRIS, Active Member Alternate Representative, term expiring July 1, 2013

VAUGHN ALTEMUS, representing Commissioner of Education

THOMAS CANDON, representing Commissioner of BISHCA

ELIZABETH PEARCE, VT State Treasurer

STEPHEN WISLOSKI, Deputy VT State Treasurer, representing ELIZABETH PEARCE, VT State Treasurer

### **Members absent:**

None

### **Also attending:**

Matthew Considine, Director of Investments

Karl Kroner, Great West Retirement Services

Chip Sanville, Great West Retirement Services

Laurie Lanphear, Deputy Director of Retirement Operations

Kathie Kretzer, Retirement Specialist

Jeff Fannon, VT-NEA

Gillian Staniforth

Kevin Gaffney, Chair of the VSERS Board and Representative of BISHCA

Cynthia Webster, Director of Retirement Policy and Outreach & Executive Secretary to the Board

Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Jon Harris, called the Tuesday, November 8, 2011, meeting to order at 9:05 a.m., which was held in the TRE/FIN Conference Room, fourth floor, 109 State Street, Montpelier, VT.

The Chairperson, Jon Harris welcomed everyone to the meeting. Mr. Harris indicated they would be switching Item #4 and Item #5 so they could have the presentation by Great West prior to discussing the valuation report. Ms. Pearce indicated she would need to leave at 10:00, but that Mr. Wisloski would be representing her at that point.

### **ITEM 1:      **Introduction of new VSTRS Board staff – Kathie Kretzer****

Ms. Pearce reviewed with the Board the thought process for appointing Ms. Kretzer as the Board's secretary due to the retirement of Cynthia Webster. Ms. Kretzer was introduced to

the Board and thanked them for the opportunity to work with them. The Board thanked Cynthia Webster for her service to the Board.

**On motion by Mr. Altemus, seconded by Mr. McConnell, the Board voted unanimously to appoint Kathie Kretzer as the Executive Secretary to the VSTRS Board effective December 1, 2011.**

(Mr. Gaffney arrived during this agenda item.)

**ITEM 2:      Approve the Minutes of: October 24, 2011**

**On motion by Mr. Candon, seconded by Mr. Altemus, the Board voted to approve the minutes of October 24, 2011, as amended. Mr. McConnell abstained from the vote. The motion carried.**

**ITEM 3:      Discussion/Presentation by BISHCA re: Annuity and Annuity-like Products for 403(b) Plan**

Mr. Candon introduced Mr. Gaffney and gave a brief explanation that Mr. Gaffney was giving the presentation today in preparation for the RFI that both the Teacher and States boards were going to prepare for an annuity product. Mr. Gaffney indicated he would provide a general review of annuities. Mr. Gaffney provided the Board with the *Annuities 101* document and the *Buyer's Guide to Fixed Deferred Annuities with Appendix for Equity-Indexed Annuities* booklet. Mr. Gaffney reviewed the three general types of annuities, and caps, participation and margins associated with the different annuity products.

(Ms. Pearce left the meeting during this item.)

The Board discussed the reasons why annuity products received bad reviews in the past. The Board discussed the benefit base compared to the market base. There was a discussion concerning the fees associated with these products. Mr. Gaffney briefly explained the Guarantee Fund that was passed in the last session, but did indicate he needed to look into that further to obtain more information. Mr. Wisloski indicated that he and Mr. Considine would be preparing the RFI. He indicated they would prepare something and then bring it to the Board for review. The Board discussed the need for education for the participants if this product were to be offered. The Board thanked Mr. Gaffney for his presentation.

(Mr. Gaffney left the meeting at this time.)

**ITEM 4:      Presentation by Great West Retirement Services**

**403(b) quarterly update  
SDIA quarterly update**

Mr. Sanville appeared before the Board and provided the Quarterly Report for September 30, 2011 for the 403(b) Investment Program. Mr. Sanville provided the plan overview. There

was a discussion about this being the first negative quarter of the plan. There was a discussion about the number of active participants and account balances going up this quarter.

There was a discussion about the number of withdrawals in this quarter. Mr. Sanville reviewed the field activity with the Board.

Mr. Kroner provided the AAG (Advised Asset Group) Fund review. The Board discussed the performance of the SRI Fund.

Mr. Sanville appeared before the Board and provided the Quarterly Report for September 30, 2011 for the SDIA Plan. Mr. Sanville reviewed the plan results and the administrative overview for the SDIA Plan. There was a discussion about the participant services. There was a discussion about log-ins to the website. Mr. Candon requested the Board be provided with the number of distinct users to the website. Mr. Altemus requested a chart indicating the age breakdown of plan participants.

Mr. Kroner indicated he did not want to speak out of turn during Mr. Gaffney's presentation, but that if the Board had any questions for him about the annuity product, he would be happy to answer them. Mr. Kroner discussed with the Board fees, portability, beneficiary payout and education related to the annuity product.

(Mr. Kroner and Mr. Sanville left the meeting at this time.)

(A recess was taken from 10:55 a.m. to 11:10 a.m.)

(Mr. Fannon and Ms. Staniforth entered the meeting at this time.)

(Mr. Considine and Mr. Mackey were not present at this time.)

Mr. Harris indicated since Ms. Pearce was not present they would move to Item #6 on the agenda.

**ITEM 5:      Review Gillian Staniforth request**

Mr. Fannon provided the Board an overview of Ms. Staniforth's request. Mr. Fannon indicated he had communicated with Ms. Webster concerning the information they had requested the last time. Ms. Lanphear provided the Board the chronology of Ms. Staniforth's involvement with the Municipal and Teachers' Retirement Systems. Ms. Webster indicated the reason why Ms. Staniforth did not receive an annual statement was because she was a mixed member. Ms. Webster related to the Board her discussion with the Board of Education concerning the length of time it took to obtain a license. There was a discussion about waivers and letters of eligibility. There was a discussion concerning the number of years Ms. Staniforth was requesting.

**On motion by Mr. Altemus, seconded by Mr. Candon, the Board voted unanimously to move to grant two years to Gillian Staniforth, with contributions to be made and for the Retirement System to be made whole.**

Ms. Webster indicated she would contact Ms. Staniforth concerning the contributions. Mr. Fannon thanked the Board for the opportunity to be heard.

(Mr. Fannon and Ms. Staniforth left the meeting at this time.)

**ITEM 6:      Discuss pension privacy proposal**

Ms. Webster advised the Board this item was in connection with the request from the Burlington Free Press requesting the top 100 pensions to public employees. Ms. Webster advised the Board there was one judge that was requesting a change be made to the Statute. Ms. Webster asked the Board whether they desired to weigh in on this matter. Ms. Webster advised the Board originally the Free Press requested, name, amount of pension and town, but the Treasurer's office did not provide the towns. Ms. Webster advised the Board that the Treasurer's Office made an attempt to contact all 100 members before the article appeared.

(Ms. Pearce entered the meeting during this agenda item. Mr. Wisloski left the meeting during this agenda item.)

The consensus of the Board was to remain neutral on this item.

**ITEM 7:      VPAS update**

Ms. Pearce provided the Board with a VPAS update, indicating the system would be used for the 1099 reporting and that actives went live July 1<sup>st</sup>. Ms. Pearce also indicated employer reporting started this summer. Ms. Pearce indicated there are still issues with the benefit calculations portion, and that testing is continuing with that. There was a discussion about self-service and policy and guidelines being done in the future. There was a discussion about LRS (Levi, Ray & Shoup) staff being available on-site after the system goes live.

(A recess was taken from 11:55 a.m. to 12:12 p.m.)

**ITEM 8:      Review/Discuss FY '11 Valuation**

**Explanation of Select-and-Ultimate Investment Assumption**

Ms. Pearce handed out and reviewed the *Some Actuarial Terms* document with the Board. Ms. Pearce reviewed each term individually and answered all questions posed by the Board members. The Board discussed the smoothing method. There was a discussion about GASB. There was a discussion about the ARC. There was a discussion about OPEB. There was a discussion concerning where the funding comes from. Sections of the FY '11 Valuation report were discussed. There was a discussion about assumptions.

Ms. Pearce explained the Select-and-Ultimate method. There was a discussion about the unfunded liability. Ms. Deliduka indicated if Ms. Pearce provides her with some major points concerning the health care issue, she would have the retired teachers send out postcards to the legislators.

**ITEM 9: Review/accept 2012 meeting schedule**

**On motion by Mr. McConnell, seconded by Ms. Deliduka, the Board voted unanimously to accept the proposed meeting schedule for 2012.**

**ITEM 10: Any other business to come before the Board**

**Ms. Pearce made a motion to propose a resolution to thank Cynthia Webster for her 31 years of service to the State and to commend her for the contributions she made to the well being of both active and retired members of the retirement systems. The Board unanimously voted to accept this proposal and thanked Ms. Webster for her service.**

Ms. Webster indicated there was no legislature issues for this coming year and thanked the Board for their kind words.

**ITEM 11: Adjournment**

**On motion by Ms. Pearce, seconded by Mr. Altemus, the Board unanimously voted to adjourn at 1:09 p.m.**

**Next Meeting Date:**

The next scheduled VSTRS meeting is a conference call on Thursday, December 8, 2011 at 3:30 p.m.

Respectfully submitted,

Monica Chiren  
Assistant to Cynthia L. Webster  
Executive Secretary to the Board